

Message Text

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PAGE 01 STATE 122693
ORIGIN EB-08

INFO OCT-01 NEA-11 ISO-00 AF-10 /030 R

66011

DRAFTED BY:EB/IFD/ODF:FVNASH

APPROVED BY:EB/IFD/ODF:EWLOLLIS

AF/EPS:JWHITE

TREASURY:JGAASERUD

-----093415 130919Z /23

R 130439Z MAY 78

FM SECSTATE WASHDC

INFO ALL AFRICAN DIPLOMATIC POSTS

AMEMBASSY CAIRO

AMEMBASSY TRIPOLI

AMEMBASSY TUNIS

AMEMBASSY RABAT

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FOLLOWING REPEAT LIBREVILLE 1075 SENT ACTION SECSTATE INFO
BELGRADE BERN BONN BRASILIA BRUSSELS BUENOS AIRES COPEHNHAGEN
THE HAGUE HELSINKI JIDDA KUWAIT LONFON MANILA PARIS OSLO
OTTAWA ROME STOCKHOLM TOKYO MAY 06.
QUOTE LIMITED OFFICIAL USE LIBREVILLE 1075

DEPT PLS PASS ALL AF DIPLOMATIC POSTS

MANILA FOR USADB

E.O. 11652: N/A

TAGS: EAID, EFIN, AFDB, AFDF

SUBJ: AFRICAN DEVELOPMENT FUND ANNUAL MEETING

REF: A) LIBREVILLE 1061 (B) LIBREVILLE 1059 (C) STATE 107425

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SUMMARY: THE BOARDS OF GOVERNORS OF THE AFRICAN
DEVELOPMENT BANK (AFDB) AND AFRICAN DEVELOPMENT
FUND (AFDF) HELD THEIR ANNUAL JOINT MEETING
IN LIBREVILLE, GABON MAY 1-5, THE MAJOR EVENTS
WERE THE AGREEMENT IN PRINCIPLE BY THE GOVERNORS
OF THE BANK TO OPEN THE AFDB TO NON-AFRICAN
COUNTRIES AND THE COMPLETION OF NEGOTIATIONS ON

THE SECOND AFDF REPLENISHMENT. GENERAL TONE OF MEETING WAS BUSINESS-LIKE, WITH MANY DELEGATES ADDRESSING TECHNICAL AND ADMINISTRATIVE MATTERS IN THEIR STATEMENTS. END SUMMARY.

1. DURING THE ANNUAL MEETING'S MAY 4 PLENARY SESSION, THE BOARD OF GOVERNORS OF AFDB FORMALLY ADOPTED A RESOLUTION DIRECTING THE PRESIDENT OF THE BANK TO INITIATE CONSULTATIONS WITH NON-AFRICAN STATES TO FACILITATE NON-REGIONAL MEMBERSHIP IN THE BANK. A CONSENSUS TO OPEN THE BANK WAS ARRIVED AT A SPECIAL CAUCUS OF BANK GOVERNORS ON THE AFTERNOON OF MONDAY, MAY 1 WHICH WAS CLOSED TO FUND GOVERNORS AND DELEGATES. ON THE MORNING OF MAY 1, AT THE FIRST PLENARY SESSION OF THE ANNUAL MEETING, THE GOVERNORS HAD HEARD STATEMENTS BY GABONESE PRESIDENT BONGO AND AFDB/AFDF PRESIDENT FORDWOR EXHORTING THE AFRICAN MEMBERS OF THE BANK TO CAREFULLY CONSIDER THE QUESTION OF NON-REGIONAL MEMBERSHIP IN LIGHT OF THE BANK'S CONTINUING INABILITY TO MOBILIZE THE RESOURCES NECESSARY TO CONTRIBUTE SIGNIFICANTLY TO AFRICA'S DEVELOPMENT.

2. DESPITE THE CONSENSUS REACHED AT THE CLOSED MONDAY MEETING TO SEEK NON-REGIONAL MEMBERSHIP, THE REPRESENTATIVES OF ETHIOPIA, MOZAMBIQUE, THE LIMITED OFFICIAL USE

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CONGO, AND UGANDA STRONGLY OPPOSED NON-REGIONAL MEMBERSHIP IN THEIR FORMAL STATEMENTS TO THE JOINT BANK/FUND GOVERNORS' SESSIONS. ETHIOPIA AND UGANDA CITED THE ANTICIPATED INTRODUCTION OF NON-ECONOMIC CONSIDERATIONS BY DEVELOPED COUNTRIES INTO THE OPERATIONS OF THE BANK AS ONE REASON FOR THEIR OPPOSITION. WHILE LIBYA AND ALGERIA ALSO EXPRESSED STRONG RESERVATIONS ABOUT OPENING THE BANK TO NON-AFRICAN COUNTRIES, THEY NEVERTHELESS ANNOUNCED THEIR WILLINGNESS TO ABIDE BY THE DECISION OF THE MAJORITY, THE GOVERNORS OF KENYA, ZAMBIA, NIGERIA, IVORY COAST, GHANA, SUDAN, ZAIRE, LIBERIA, MALAWI, TANZANIA, RWANDA, AND GABON SUPPORTED NON-REGIONAL MEMBERSHIP IN THEIR STATEMENT. OTHER AFRICAN STATES EITHER DID NOT MENTION THE ISSUE IN THEIR FORMAL STATEMENT, OR DID NOT MAKE A FORMAL STATEMENT AT THE ANNUAL MEETING. EVEN AMONG THOSE WHO SUPPORTED THE OPENING OF THE BANK, MOST EXPRESSED CONCERN THAT THE AFRICAN CHARACTER OF THE BANK MUST BE MAINTAINED. WHILE THE EXACT TERMS AND CONDITIONS OF NON-REGIONAL MEMBERSHIP WERE NOT DISCUSSED, IT CAN BE EXPECTED THAT PRESERVATION OF THE BANK'S AFRICAN CHARACTER

WILL BE AN IMPORTANT ISSUE IN THE NEGOTIATIONS.

3. SEVERAL NON-AFRICAN GOVERNORS OF THE FUND NOTED THE DECISION TO OPEN THE BANK IN THEIR STATEMENTS. THE UNITED STATES, AMONG OTHERS, EXPRESSED A WILLINGNESS TO CONSIDER SYMPATHETICALLY MEMBERSHIP IN THE BANK.

4. DETAILS ON THE AFDF SECOND REPLENISHMENT SENT SEPTEL. A REPLENISHMENT TARGET OF FUA 700 MILLION (FUA 1 EQUALS \$1.11) WAS ADOPTED, OF WHICH FUA 608 MILLION WAS ACTUALLY PLEDGED AT LIBREVILLE. AFRICAN STATES SEEMED PLEASED WITH THE OUTCOME OF THE REPLENISHMENT NEGOTIATIONS. THE U.S. PLEDGE OF \$125 MILLION TO LIMITED OFFICIAL USE

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THE REPLENISHMENT, WHICH PRESIDENT CARTER ANNOUNCED IN APRIL DURING HIS VISIT TO NIGERIA, WAS PRAISED BY REGIONAL AND NON-REGIONAL STATES. PRESIDENT BONGO'S OPENING SPEECH WAS INTERRUPTED BY APPLAUSE ONLY ONCE -- WHEN HE THANKED PRESIDENT CARTER AND THE UNITED STATES FOR THE U.S. PLEDGE. IN HIS OPENING STATEMENT, FORDWOR ALSO LINKED THE SUCCESS OF THE REPLENISHMENT NEGOTIATIONS TO THE EXAMPLE SET FOR OTHER DONORS BY THE "MAGNANIMOUS GESTURE" OF THE UNITED STATES.

5. IN HIS STATEMENT BEFORE THE PLENARY, TREASURY ASSISTANT SECRETARY BERGSTEN STRESSED THE IMPORTANCE OF A HEALTHY WORLD ECONOMY FOR THE FUTURE OF THE DEVELOPING NATIONS. HE REVIEWED ECENT ECONOMIC DEVELOPMENTS IN THE UNITED STATES AND REITERATED U.S. COMMITMENT TO A STABLE DOLLAR AND THE FIGHT AGAINST INFLATION. HE ALSO REVIEWED U.S. POLICIES IN THE AREAS OF TRADE AND COMMODITIES DESIGNED TO ASSIST DEVELOPING COUNTRIES. BERGSTEN CONFIRMED THE STRONG U.S. COMMITMENT TO AFRICA AND THE AFRICAN DEVELOPMENT FUND. HE REAFFIRMED THE U.S. \$125 MILLION PLEDGE TO THE SECOND REPLENISHMENT OF THE AFDF AND EXPRESSED U.S. WILLINGNESS TO GIVE THE QUESTION OF MEMBERSHIP IN THE BANK SERIOUS AND SYMPATHETIC CONSIDERATION. BERGSTEN'S STATEMENT WAS WELL RECEIVED, WITH MANY DELEGATES EXPRESSING THEIR SATISFACTION WITH THE U.S. ADDRESS IN CORRIDOR CONVERSATIONS.

6. GENERAL TONE OF ANNUAL MEETING WAS BUSINESS-LIKE, WITH MANY GOVERNORS ADDRESSING TECHNICAL AND ADMINISTRATIVE MATTERS IN THEIR STATEMENTS. A NUMBER OF SPEECHES CONTAINED SUGGESTIONS FOR MODIFICATION OF VARIOUS BANK/FUND POLICIES. RECURRENT THEMES WERE CALLS BY MANY AFRICAN STATES FOR RELAXATION OF THE FUND'S PER CAPITA GNP ELIGIBILITY CRITERIA, LIMITED OFFICIAL USE

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MORE LOCAL COST FINANCING, AND INITIATION OF PROGRAM LENDING. EACH OF THESE PROPOSALS FACED OPPOSITION FROM A NUMBER OF OTHER DELEGATIES, MOSTLY NON-AFRICAN COUNTRIES AND NO ACTION WAS TCN OR FORMALLY PROPOSED ON ANY OF THEM. THE FUND'S INCREASED ATTENTION TO THE AGRICULTURAL AND RURAL DEVELOPMENT SECTORS WAS PRAISED AND ENCOURAGED BY BOTH REGIONAL AND NON-REGIONAL MEMBERS.

7. MANY GOVERNORS EXPRESSED SATISFACTION WITH THE BANK AND FUND'S PROGRESS IN IMPROVING ITS ADMINISTRATIVE CAPACITY AND ENCOURAGED MANAGEMENT TO CONTINUE ITS EFFORTS IN THIS REGARD. THE GOVERNORS' STATEMENTS FOLLOWED A THOROUGH AND IMPRESSIVE ANALYSIS BY FORDWORTH AT THE FIRST PLENARY SESSION DESCRIBING THE BANK GROUP'S PROGRESS TOWARD IMPROVING ITS ADMINISTRATIVE CAPACITY. MANY GOVERNORS, INCLUDING THE U.S., CITED FORDWORTH'S EXCELLENT LEADERSHIP OF THE BANK GROUP.

8. DURING THE ANNUAL MEETING, DJIBOUTI JOINED THE AFDB AS ITS 48TH MEMBER. ANGOLA SENT AN OBSERVER TO THE MEETING, SUGGESTING THAT IT MAY BE CONSIDERING MEMBERSHIP IN THE BANK. THE ANNUAL MEETING WAS THE FIRST AT WHICH FRANCE AND KUWAIT PARTICIPATED AS FULL MEMBERS OF THE AFDB. ARGENTINA JOINED THE FUND DURING THE ANNUAL MEETING WITH A SUBSCRIPTION OF U.S. \$2 MILLION. SEVERAL AFRICAN DELEGATES EXPRESSED THE HOPE THAT ALL AFRICAN STATES MIGHT ONE DAY BECOME MEMBERS OF THE BANK GROUP. REFERENCE WAS OBVIOUSLY MADE TO THE SITUATION IN SOUTHERN AFRICA.

9. IN OTHER BUSINESS, THE GOVERNORS OF THE AFDB APPROVED A RESOLUTION AMENDING THE BANK'S ARTICLES OF AGREEMENT TO MAKE THE BANK'S UNIT OF ACCOUNT EQUIVALENT TO THE SDR, AND BANK/FUND GOVERNORS AGREED

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TO HOLD THEIR 1979 ANNUAL MEETING AT ABIDJAN ON MAY 14-19, 1979.

10. DURING THE BANK/FUND MEETING, USDEL SUCCESSFULLY ARRANGED FOR AN EXCHANGE OF LETTERS BETWEEN THE U.S. AND FUND MANAGEMENT WHICH WOULD PERMIT THE PROPOSED \$25 MILLION U.S. SUBSCRIPTION TO THE FIRST FUND

REPLENISHMENT TO TAKE THE FORM OF A NON-NEGOTIABLE,
NON-INTEREST BEARING LETTER OF CREDIT TO BE VALUED
AT THE RATE OF \$1.11 EQUALS 1 FUA UNTIL THE LETTER OF
CREDI IS FULLY DRAWN DOWN. THE EFFECT OF THIS
PROCEDURE WOULD BE TO INSURE THAT THE U.S.
CONTRIBUTION IS NOT SUBJECT TO MAINTENANCE OF
VALUE.

11. OF THE BILATERALS ENVISAGED IN REFERENCE
(C) THE U.S. LEGATION WAS SUCCESSFUL IN
ARRANGING FORMAL MEETINGS WITH ZAMBIA (REPORTED
REF (A) AND ETHIOPIA (REPORTED REF (B)).
INFORMAL CONTACTS WERE, HOWEVER, MADE WITH THE
REPRESENTATIVES OF SEVERAL OTHER COUNTRIES. ALL
DELEGATIONS UNDERSTOOD THE DIFFICULTIES OF
SCHEDULING BILATERAL TALKS DURING THE ANNUAL
MEETING.TIENKIN UNQUOTE VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVELOPMENT BANKS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE122693
Document Source: CORE
Document Unique ID: 00
Drafter: EB/IFD/ODF:FVNASH
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780203-0627
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780561/aaaabzkk.tel
Line Count: 241
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6217969f-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 LIBREVILLE 1061, 78 LIBREVILLE 1059, 78 STATE 107425
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2698276
Secure: OPEN
Status: NATIVE
Subject: AFRICAN DEVELOPMENT FUND ANNUAL MEETING
TAGS: EAID, EFIN, OCON, XA, AFDB, AFDF
To: AF POSTS CAIRO MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/6217969f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014